

Message Text

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PAGE 01 MOSCOW 04898 091858Z

63

ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 (ISO) W
----- 066367

R 091638Z APR 75

FM AMEMBASSY MOSCOW

TO USDOC WASHDC

INFO SECSTATE WASHDC 9081

UNCLAS MOSCOW 4898

USDOC FOR BEWT/TDAD TERLIZZI

E.O. 11652: N/A

TAGS: BEXP UR

SUBJECT: MESSAGE FOR METCO INC.

1. PLEASE PASS FOLLOWING TO MR. GRANT, METCO INC., WESTBURY, NEW YORK, TELEPHONE (516) 334-1300:
QTE ON APRIL 3 THE MANAGER OF LICENSINTORG MR. MAKAROV CALLED AT OUR EXHIBITION BOOTH TO INFORM US THAT, WHILE THE GENERAL TERMS OF OUR QUOTATION ARE ACCEPTABLE, THE AMOUNT OF ROYALTY IS FAR BEYOND ACCEPTANCE. HE INDICATED THAT THE EXPENSES FOR METCO PERSONNEL PERMANENCE SHALL BE CARRIED BY THE SOVIET UNION AND SHOULD BE REMOVED FROM THE ROYALTY. WHEN DIRECTLY ASKED HE INDICATED AN ACCEPTABLE AMOUNT TO BE TWO PERCENT, WHICH I TOOK AS A HINT TO REDUCE OUR PRICE BY TWO PERCENT.

AS I HAD PLENTY OF POSSIBILITIES BETWEEN MY ORIGINAL QUOTATION OF AVERAGE EIGHT PERCENT AT DOLS 1.45 PER KG AND YOUR MINIMUM OF DOLS 1.10 PER KG, I WORKED OUT A NEW PROPOSAL ON THE FOLLOWING TERMS: 450 AT DOLS 1.35, 44, 51, 12C, 15E AT DOLS 1.10, 18C AT DOLS 1.15, 36C AT DOLS 2.00. - THIS BRINGS THE TOTAL LICENSE TO 6.495 PERCENT OF THE NET SALES VALUE OF THE KG PRICE INDICATED IN THE ORIGINAL QUOTATION.

WE HAD ANOTHER MEETING YESTERDAY WHERE WE PRESENTED THIS PROPOSAL. WE WERE AGAIN TOLD THAT THE ROYALTY SHOULD NOT BE HIGHER THAN TWO PERCENT. SURPRISINGLY ENOUGH AFTER SOME INSISTING WE WERE GIVEN A DRAFT OF THE CONTRACT, A HIGHLY UNUSUAL PROCEDURE, AND, SURPRISINGLY, ALREADY MADE OUT IN THE NAME OF METCO. THE STIPULATIONS IN RESPECT TO THE

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PERMANENCE IN THE USSR DO NOT COVER US ADEQUATELY AND SEVERAL

HEAVY OBLIGATIONS ARE PUT ONTO US IN RESPECT TO THE PERMANENCE OF SOVIET PERSONNEL IN THE US AND UK.

WHILE I DO NOT BELIEVE THAT THE DEMAND OF TWO PERCENT IS BINDING AND SHOULD BE CONSIDERED AS A MERE ATTEMPT OF FORCE, I MAY HAVE TO COME FURTHER DOWN THAN THE LIMITS ESTABLISHED IN WESTBURY IN JANUARY. THE AVERAGE OF 50 CENTS/LB OR DOLS 1.10/KG REPRESENTS 6.1 PERCENT OF THE AVERAGE PRICE AS INDICATED. I WOULD LIKE TO ASK YOU FOR A FINAL LIMIT OF 5 PERCENT EQUALLING DOLS .90 KG OR DOLS .40/LB. I HAVE ABSOLUTELY NO INTENTION TO USE THIS VOLUNTARILY BUT WOULD LIKE TO HAVE A FINAL POSSIBILITY TO CLINCH THE DEAL. THE TWO MENTIONED MEETINGS WERE MORE OR LESS INFORMATIVE. I BELIEVE THAT OUR NEXT MEETING ON EITHER 11 OR 14 APRIL SHALL HAVE A DEEPER CHARACTER AND ENTER INTO MORE DETAILS. THIS IS THE MOTIVATION FOR MY REQUEST. I SHALL APPRECIATE YOUR ANSWER PER THE SAME ROUTE AS THIS MESSAGE. BEST REGARDS.
MULLER. UNQTE

2. ADVISE GRANT TO FORWARD REPLY THROUGH USDOC. SEND ANSWER VIA TELEGRAM TO AMEMBASSY MOSCOW, ATTN: JIM BLOW.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 09 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MOSCOW04898
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750124-0543
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750467/aaaacjub.tel
Line Count: 82
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 30 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 JUN 2003 by RuthemTJ>; APPROVED <11 FEB 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MESSAGE FOR METCO INC.
TAGS: BEXP, UR
To: COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006